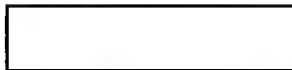


29 February 1968

MEMORANDUM FOR: Mr. Duckett

THROUGH

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SUBJECT : DD/S&T Contracts for Personal Services

1. The attached article from the Wall Street Journal entitled "The Flesh Peddlers" concerns Government contracts for personal services. It discusses the rising concern by the Civil Service Commission, Federal Employees Unions, certain Congressmen and the General Accounting Office over the numbers of Government contracts for personal services to support military and other Government agency programs.

2. The basic cause of the concern can be summarized as follows:

a. It is felt that such contracts are a device for circumventing budgetary ceilings on pay rolls and personnel ceiling limitations.

b. There is a claim that such contracts cost much more than the Government would pay Federal workers to do the same jobs.

3. The article indicates the possibility that this matter will get increased attention in Congress and there is also the possibility that legislation will be introduced to curb this contracting practice. In any event it is anticipated that Congress will put pressure on Federal agencies to review such contracts.

4. As you know, the DD/S&T has a number of contracts which could be classed as "industrial contracts for personal services." These include contracts for programmers, tech reps, equipment maintenance services, training services, etc. All such contracts receive review within the Agency under prescribed Agency regulations, which require review and concurrence by the Office of Personnel and the Office of

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Security. At one time this review included the General Counsel, however, we have received a memorandum from [redacted] in the Office of Counsel stating that he could see no useful purpose in reviewing the typical DD/S&T type contracts in this category because they did not represent potential conflict of interests and this is what he is primarily concerned with. Accordingly, the review is now limited to the Office of Personnel and the Office of Security.

5. The Office of Personnel review is concerned specifically with the question of whether the services required under the contract could be provided by staff employees and the review determines whether the office has made a request for recruitment of a staff employee to perform the service. The office must, therefore, justify its reason for securing personnel through external contract. The Office of Security is obviously concerned with the circumstances under which contractor personnel will be utilized, the clearance status and the access to classified information.

6. Under this procedure, therefore, DD/S&T contracts for personal services do receive Office of Personnel review which is designed to avoid the criticism now being directed against Government contracts for personal services. All personal service type contracts financed with Agency funds and contracted for by the Office of Logistics receive such review. Contracts arising out of OSA and OSP do not.

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